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Customer loyalty activation through online direct marketing

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Direct email marketing is a popular marketing communication tool used by businesses to either attract consumers to buy their products or services or transform existing customers into loyal customers. Company X, a leader in the automotive industry, uses direct email marketing as a means to reach existing customers, enable their engagement with the brand and offer them exclusive customer offers and benefits which can ensure loyalty activation and customer retention.

The purpose of this thesis is to evaluate, through an empirical study of Company X, how effective online direct marketing campaigns are and what is their role in the overall CRM strategy intended to build customer loyalty. The research presents the diverse implications of customer relationship management in business processes and concludes how businesses should choose to make CRM a base pillar for their business success.

A qualitative study was conducted to answer the purpose of the thesis and the research questions with the use of theoretical argument, direct participation and constant observation by the author. The quantitative method is represented by statistically reliable figures generated by the results of email campaigns in Company X. Empirical material was analyzed with reference to the theoretical framework and the research questions.

The thesis concludes that direct email marketing is an effective marketing tool with a high potential of triggering customer activation. The tool should be further considered and implemented by Company X as part of the overall CRM strategy which aims to achieve a customer loyalty retention target of 50% by 2015. The positive results of the emailing campaigns prove the effectiveness of the direct email as marketing tool and its role in the CRM strategy.

Key words CRM, email marketing, customer loyalty, marketing campaigns

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1 Introduction and Background

In the current international economic landscape it is essential for companies to identify the correct marketing strategy which will gain competitive advantage by implementing customer relationship management (hereafter CRM) practices. Effective loyalty activation ensures long lasting profitable relations with target customers and represents one of the fundamental pillars in increasing sales volume and profits (Raab, Ajami & Gargeya 2008, 3).

Businesses invest effort and resources in building and measuring customer loyalty which enables the achievement of company marketing strategy and sales targets.

Loyalty programs represent a powerful loyalty activation tool and businesses focus attention on customer retention alongside customer acquisition (Payne 2013, 6).

Loyalty campaigns, such as online email direct marketing campaigns, are a frugal yet effective way of reaching existing customers and building long term relationships to drive business success (Groves 2009, 3).

This research introduces the concept of CRM and loyalty marketing and analyzes the effectiveness of online/digital email marketing campaigns through an empirical study. The structure reflects the objectives of the study, questions of research, method of research and analysis results.

1.1 Research purpose

The purpose of this thesis is to evaluate, through an empirical study of Company X, the effects of online direct marketing campaigns in the overall CRM strategy to build customer loyalty. The thesis answers the needs of Company X to assess the effectiveness of direct email marketing campaigns and presents and analyses the CRM marketing activities results in the empirical study.

1.2 Research objectives

The main objective for Company X is to build loyalty among current customers. Loyalty activation is driven by the implementation of CRM strategy. Direct email marketing is the main CRM marketing tool used by Company X as part of the strategy to enable future customer retention.

The objective of the research is to present the role and importance of direct email marketing as a ground for activating customer loyalty. Internal research was conducted with the purpose

of identifying, analyzing and presenting the actual benefit of executing direct email marketing campaigns as part of the overall CRM strategy. The quantitative results reflect the customer reaction by providing clear factual statistics and behavioral characteristics.

The research also theoretically assesses the diverse implications of CRM in business processes. It investigates how and concludes whether businesses should choose to make CRM a base pillar in their business operations.

1.3 Research questions

Loyalty activation is based around different loyalty program schemes depending on the business industry, model and culture. The choice of which marketing tools to use is often made on the financial implications and the potential to produce the desired outcome. Direct email marketing is a frugal marketing tool used for vast marketing purposes.

How do Company X customers react to promotional email marketing?

What are the implications of email marketing for Company X?

Is direct email marketing an effective tool in activating customer loyalty?

The research questions analyze the practical implementation and outcome of two promotional email marketing campaigns in Company X. The research explains the customized process implementation, customer behavior towards promotional email marketing and the effectiveness of the tool as base for building customer retention.

1.4 Research delimitation

The research presents the actual CRM strategy of Company X and analyses the results of its loyalty programs. The delimitation of the case study concerns the strict analysis of two direct email marketing campaigns (Quarter 3 and Quarter 4) implemented among existing Company X customers in the automotive industry. The conclusion of the research is made based on the theoretical reasoning of CRM concept implementation and empirical study analysis based on Company X CRM approach and practices.

1.5 Research structure

The structure of the research is reflected in figure 1 below.

The thesis introduces the reader to the general topic and provides the background of the research. The introduction presents the research purpose, the questions and objectives of the

study as well as case company objective. It presents the quality of the study and the method of research chosen to conduct it.

The method of research details the different methods used to gather the data, present the results and make the data selection and interpretation.

The theoretical chapter presents the theoretical frame of reference whereby the reader is introduced to the concept of CRM and its different types. The chapter describes the importance and implications of customer loyalty. The chapter also details the characteristics of email marketing and proposes a business approach for successful CRM strategy implementation.

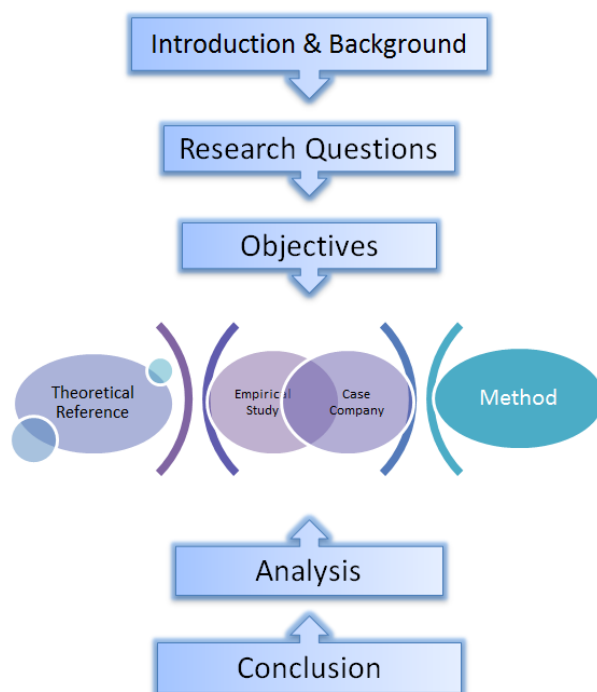


Figure 1: Research structure

The empirical research chapter introduces the case company and presents the actual direct email marketing campaign results in Company X. This chapter presents the real life perspective of identifying the actions taken in building an individualized CRM marketing strategy that can enable customer loyalty in the long run. It continues with an analysis of the results and effectiveness of direct email marketing in Company X.

In the conclusion, the author makes the connection between the theoretical arguments presented and the findings of the analysis. The conclusion of the thesis confirms the purpose of the research and answers the research questions.

2 Method of research

The methodology used in gathering data for this study combines both quantitative and qualitative methods. The quantitative methods reflect statistically reliable figures generated by the end result. These figures measure the statistical data and provide conclusions.

The qualitative methods ensure that all research questions are answered and the author provides a direct assessment of the trends and behaviors reflected by the quantitative figures (Sreejesh, Mohapatra and Anusree, 2013).

Primary data are essential for proving the objective of the investigation and answering the research questions. Primary data are represented by internal company results and figures reported periodically after the implementation of each marketing campaign.

Secondary data are existing published material such as articles, books, online publications and websites available to the general public (Sreejesh, Mohapatra and Anusree, 2013).

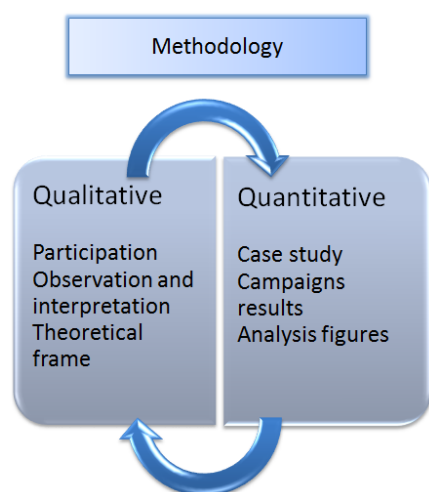


Figure 2: Research Methodology

2.1 Qualitative methods

The thesis is mainly a qualitative study made based on three main qualitative methods: theoretical argument, direct participation and constant observation by the author. These methods were used to carry out the study, to gain understanding and provide insights into the research problem and solution.

The qualitative research focuses on the study of a particular trend from the perspective of an insider. Participation is the direct link between the researcher and Company X. The researcher was a direct participant to email marketing campaign implementation and was instrumen-

tal in influencing the strategic approach, customer group selection and campaign implementation follow up (Lapan, Quartaroli and Riemer, 2011).

Observation and interpretation were possible as a result of the direct participation of the researcher in the implementation process. Using this method, the researcher was able to identify patterns, behaviors and approaches and conduct the analysis of the exercise (Lapan, Quartaroli and Riemer, 2011).

The theoretical frame represents the secondary data supporting the construction of the argument based on which the research problem is solved. It provides the structure and background for the concept and allows data interpretation and application to the case study (Lapan, Quartaroli and Riemer, 2011).

2.2 Quantitative methods

Internal company research was needed to identify, analyze and present the effectiveness of the implementation of direct email marketing campaigns. Quantitative figures reflect the results of the email marketing campaigns and show clear factual statistics (Lapan, Quartaroli and Riemer, 2011).

The case study was studied in detail over a period of seven months from the strategy planning starting point for Quarter 3 email campaign until ending point of Quarter 4 campaign. It combines a number of research methods and represents a reliable source of identifying and addressing a business need.

This thesis focuses on a single descriptive case study which identifies a particular customer behavior. It interprets online marketing campaigns results with the purpose of concluding their effectiveness.

2.3 Selection for analysis

Data selection to be analyzed was made based on the most relevant and representative results gathered by the researcher together with Company X. Company X provided the means and access to the campaign processes and facilitated data extraction from the supplier in measuring effectiveness of the campaigns.

Data selected included the number of current customers and their email addresses segmented per location (country) and their responsiveness (active or passive) to the communication initiated by Company X. The customer segmentation was made purely on location and included all genders and ages across business unit. Customer reaction to email marketing is tracked by a

company supplier and provided one month after campaign launch in a PDF format (Company X, Internal CRM practices).

Figures for Quarter 3 and Quarter 4 email campaigns are analyzed in detail in this research with the purpose of identifying customer behavior and trends and establishing whether direct email can effectively enable customer retention in the long term.

2.4 Data interpretation and analysis

Data analysis and interpretation was made based on the researcher's direct participation in the company's processes, their implementation as well as impartial observation.

Direct qualitative interpretation of results enabled the researcher to apply the actual figures and results of email campaigns into the research approach with the intent of testing the thesis concept and answering the research questions. The thesis answers the questions 'how' and 'what' in order to find data patterns and a concrete meaning, present relevant analysis which measures and provides conclusions to the effectiveness of direct email marketing.

Effectiveness, in this case, represents selecting the right CRM marketing approach. Looking into the effectiveness of email marketing means assessing whether email marketing is the right CRM marketing tool which can trigger customer retention or not (Campaign monitor, 2013).

Email marketing effectiveness is measured by the direct reaction of the customers to the email communication. Customer reaction is generally measured by three main ratios: email open rate %, story click through rate % and unsubscribe rate %. The results of customer reaction represent the base for email campaign effectiveness assessment (Campaign monitor, 2013).

2.5 Validity and reliability

The credibility of the research relies on its validity and reliability. This thesis respects the general methodology of research combining both quantitative and qualitative methods.

The threat of human error mainly concerns the qualitative part of the research. The author could be considered subjective due to their direct involvement in the analysis process, presentation of personal approach towards the results of the study and own interpretation of published materials (Sreejesh, Mohapatra and Anusree, 2013).

The reliability of the study consists in the many trustworthy data sources used to define the theoretical framework of the argument. This consists of books, online published material and academic publications.

The validity is underlined by the quantitative methods particularly the case study. The results of marketing campaigns in Company X are strong evidence of the reality reflected in statistical figures and valid data which can be verified and attested.

The research is valid as it also answers the questions of the problem and meets its objectives. The analysis and conclusion of the study conducted confirm both the validity and reliability of the research.

3 Defining customer relationship management

Managing the relationship with customers has become imperative for any business. Customers have diversified tastes and once these are identified, companies need to fulfill them and develop the relationship with the newly acquired customers to ensure service continuity and high customer retention (Payne, 2013)

Business is about building the relationship with the customer. According to Goldenberg (2008, 3) customer relationship management (CRM) “is a business approach that integrates people, processes and technology to maximize relationships with customers”. CRM approach can ensure a continuous profitable relationship by considering customer buying behavior and fulfilling customer needs. A CRM approach inevitably places CRM in the company’s strategy.

The concept of CRM has been defined in the late 20th century (between 1980 and 1990). The drive to provide a better service to the customer made it possible to approach customers differently and add value to the already existing relationship. Today CRM is a powerful tool that provides benefits to various functions of an organization (Payne 2013, 3-7).

Customer relationship management together with customer management and relationship marketing form the domain of strategic customer management. CRM represents the specific process of identifying the customer, establishing customer behavior and building a long-lasting profitable relationship by using technological tools of activating and tracking CRM performance (Payne 2013, 3-7).

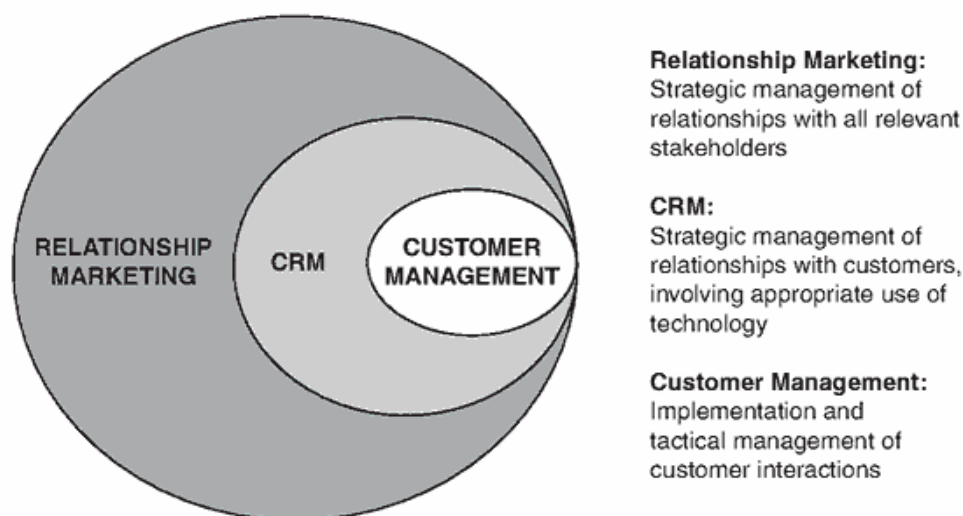


Figure 3: The domain of strategic customer management (Payne 2013, 4)

The role of CRM is to encompass the use of tactical management of and direct contact with customers with the strategic aim of building long lasting profitable relationships through targeted relationship marketing (Payne 2012, 17).

The use of multi channels and marketing automation brought innovative approaches to the issue of how to build loyalty among customers. CRM loyalty can be activated through the use of diversified methods and channels of communication such as: customer databases, customer support centers/call centers, direct e-/mail, webpages or personalized loyalty brochures. A well-structured and coordinated CRM marketing approach can enable strong communication with customers and increase response. By focusing on segmented customers, businesses can target incumbents systematically and build strategic CRM marketing campaigns to fulfill customer's needs (Payne 2012, 28).

Customer management does not necessarily affect the universe of customers. Indeed, it is better for companies to focus on customers with loyalty potential rather than, say, high-spending customers. Customer retention ultimately dictates the success of CRM strategy for all companies (Payne, 2012).

3.1 Types of CRM

The presence of different CRM types can ensure a successful implementation of a CRM strategy. To ensure a superior customer experience companies can integrate six types of CRM (Payne 2012, 24).

Operational CRM allows businesses to directly take care of their customers' needs by implementing an automatic standardized customer support via contact centers or websites. This allows customers to interact with the organizations and communicate their requirements (Payne 2012, 25).

Analytical CRM enables customer segmentation and analysis with the purpose of conducting personalized advertising by providing companies deeper understanding of the customer and their behavior (Payne 2012, 25).

Collaborative CRM involves the merger between infrastructure and various collaborative services to make possible direct communication between customers, the company and its employees. Communication channels can include: SMS, webpages, e-mail (Payne 2012, 25).

Strategic CRM represents the integration of CRM in the overall business market strategy with the purpose of long-term value creation (Payne 2012, 26).

eCRM or electronic CRM involves the use of electronic tools like intranet, extranet or internet with the purpose of building and/or maintaining customer relationships. Through eCRM companies can target specific customer populations and individualize marketing communication at very low service costs. The main objective of eCRM is to build customer loyalty and create retention. This is a feasible approach since customer satisfaction is high. eCRM uses vast digital communication channels in order to capture various customer segments (Payne 2012, 27).

3.2 Customer loyalty

Loyalty activation is made through multi-channel communication to customers and fulfillment of their response-based needs. Various degrees of loyalty reflect customer trends and behaviors through segmentation of customers and segmentation of loyalty level.

With the use of customer databases, companies reach their customers with the purpose of persuading them to continue buying their products and/or services. Today, customers belong to various rewarding loyalty schemes or programs. Whether it is the corner supermarket, airline miles card or flower shop, every business understands the power of loyalty benefit that triggers customers to buy more and buy again (Payne 2012, 60).

To activate loyalty a company implements CRM strategy through loyalty schemes and programs. By combining IT CRM solutions with loyalty marketing campaigns, businesses ensure enhanced customer experience, retain their customers and position themselves stronger in the market (Payne 2012, 60).



Figure 4: Customer Relationship ladder of loyalty (Payne 2012, 87)

3.2.1 Customer acquisition

The degrees of relationship loyalty as presented in Figure 4 can vary. According to Payne (2012), the first step to building customer relationships is to focus on the 'Prospect' or hand-raiser. These are the potential future customers who show interest in the product or service provided. They normally subscribe to a newsletter or show recurring activity on company websites. Transforming the 'Prospect' into 'Buyer' represents the customer acquisition phase. The objective of customer acquisition is to acquire more attractive customers at a low cost using multi channels. New businesses mainly focus on the customer acquisition process. However, any new product or service also depends on further relationship building with new customers (Payne, 2012).

3.2.2 Customer retention

Well established businesses give high importance to customer retention. Loyalty activation is concerned with transforming the 'Buyer' into a 'Client'. The 'Client' is the regular purchaser of goods and services and represents the basic loyalty activation stage where the buyer becomes a loyal customer (Payne, 2012).

An attractive 'Client' will further become a 'Supporter' of the company who will review the product or service and has the potential to become an 'Advocate' by promoting the brand through word of mouth and other powerful tools such as social media (Payne, 2012).

Retention scale can go up to transforming a loyal customer or 'Advocate' into a 'Partner'. This level of loyalty is concerned with assimilating another business as a strategic partner based on mutual trust and loyalty (Payne, 2012).

3.3 Email marketing

E-mail marketing is a powerful digital marketing tool used to communicate with customers across digital multi channels and personalizing the message to different customer segments (Ryan & Jones 2012, 127). By reaching customers online, businesses ensure a high brand visibility and services awareness.

Customers read email promotions or newsletters following their hand raising subscription. In such instances, they will recognize the brand and as long as the communication is expected they will consider the offer as something valuable, tailored for the specific group they belong to (Ryan & Jones 2012, 127).

According to Mullen & Daniels (2008, 6) there are 5 key types of email which can be creatively fitted in any email marketing campaign as shown in Figure 5.

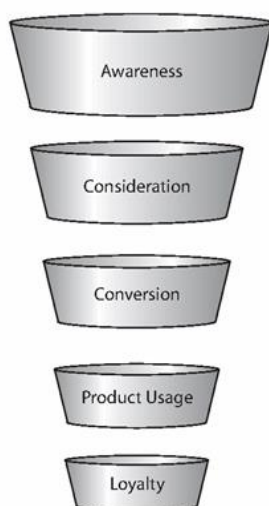


Figure 5: The five types of email (Mullen & Daniels 2008, 6)

Awareness email targets the 'Prospect' and the newly acquired 'Buyer'. Its purpose is to communicate the company image and message, make the customer aware of their products and services and identify behaviors and interests (Mullen & Daniels 2008, 8).

Consideration email targets mainly the 'Prospect' by emphasizing the benefits of certain products ahead of the final decision by the buyer. The objective is to narrow down the customer's choice and accelerate his decision making (Mullen & Daniels 2008, 9).

Conversion email concerns the 'Buyer', the 'Client' and the 'Supporter'. Both newly acquired customers and existing ones are driven through the sales channels and aftersales support (Mullen & Daniels 2008, 10).

Product usage and loyalty emails target all loyalty ladder customers particularly the 'Client', 'Supporter' and the 'Advocate'. The usage email drives customer engagement with the brand and use of the company's products and services. Loyalty emails have longer life spans as they 'foster and deepen the relationship for lifetime value impact (LTV)' (Mullen & Daniels 2008, 12).

Email marketing is one of the most cost effective tools in sending powerful communication to customers and keeps them engaged and loyal. Integrating email marketing in building customer relationships and loyalty offers endless virtual possibilities to reach segmented customers and thereafter to target and fulfill their needs (Mullen & Daniels, 2008).

3.4 Successful CRM

The key to a successful CRM strategy depends on the correct implementation of main factors of success that constitute the customer relationship management concept: customer orientation, product quality, customer satisfaction, customer retention and customer value (Raab, Ajami & Gargeya 2008, 107).

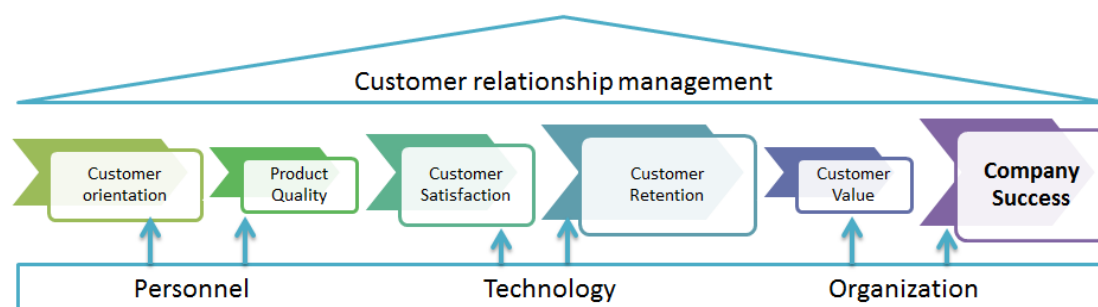


Figure 6: Successful CRM Scorecard (adjusted from Raab, Ajami & Gargeya 2008, 9 - 107)

CRM influences business profitability from the perspective of personnel, technology and organization. For successful implementation, all three aspects need to be considered.

Based on strong customer orientation the businesses identify their target customers and their needs and deliver products according to market status quo and what competitors offer.

Quality of products and services in relation to competition is another important success factor. By considering the customers' needs, companies can incorporate these into the design of products so that they can deliver products and services for the customer instead of finding customers for a product or service (Raab, Ajami & Gargeya 2008, 9 - 107).

Customer satisfaction is based on customer feedback after the use of the product or service. This is the action point for customer retention. Therefore, it is crucial for businesses to fully satisfy customer needs and enhance customer experience. A satisfied customer will further promote the brand among peers and on social media (Raab, Ajami & Gargeya, 2008).

Customer retention is reflected by the level of customer satisfaction. Companies who shape their products by always keeping in mind the customer succeed in retaining them. Retention is the factor that dictates the success of CRM implementation. Successful retention means that a company succeeds in keeping a customer in a recurring purchase mode against fierce market competition (Raab, Ajami & Gargeya, 2008).

Customer value refers to the customer commitment which, when related to profit level, represents the company's success. Then, the longer the relationship with the customer, the greater the profit per client. The CRM strategy goal is to build long lasting and profitable relationships. The profitability of customers directly links to the length of their relationship with the company. By investing in profitable customers, the business increases its value in the long term (Raab, Ajami & Gargeya, 2008).

4 Empirical findings - case study

The thesis presents Company X and the study conducted to measure effectiveness of online direct marketing campaigns. The case study explains the aim and content of CRM strategy for Company X and particularly direct email marketing campaigns. The author of the thesis was a direct observer of the email marketing process and analyses the outcome of the company's study in this research. The outcome or conclusion is based on comparison of the respective effectiveness of two marketing campaigns launched in different quarters of the year. The outcome of the analysis also reflects the validity of the underlined theoretical reference.

4.1 Case study company

Company X is a strong player in the global automotive industry with over 5 million car units sold worldwide in 2013 and a market share of 6.2 %. This represents a steady growth and continuous market positioning. The mission of Company X is to enrich people's lives, build trust with its employees, customers, dealers, partners, shareholders and the world. The company's vision is to provide unique and innovative automotive products and services that deliver superior, measurable values to all stakeholders (Company X Financial Report, 2013).

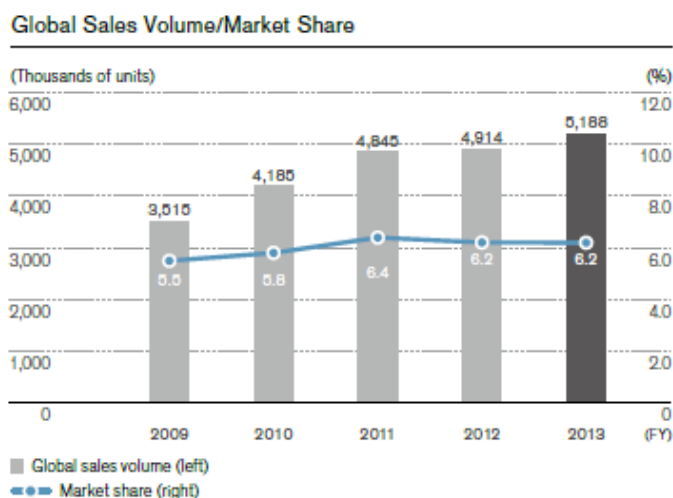


Illustration 1: Company X global sales volume/market share (Company X Financial Report, 2013).

The growth of the organization is focused on six strategic pillars: strengthening the brand, enhancing sales (includes CRM loyalty activation), enhancing quality, zero-emissions leadership, business expansion and cost leadership. This is a global strategic approach being implemented in all regions (Company X Financial report, 2013).

At European level during fiscal year 2013 Company X sold over 650.000 units with a steady market share of 3.9 % (Company X Financial Report, 2013).

Retail Sales in Europe

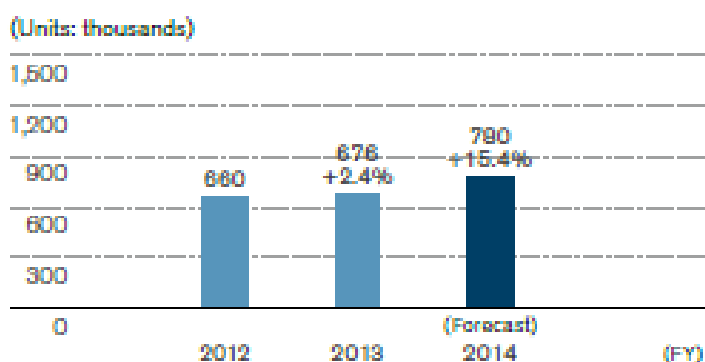


Illustration 2: Company X global sales volume (Company X Financial Report, 2013)

With more than 250 employees in Finland, the Nordic headquarters, Company X has a strong brand image and market presence in seven countries: Finland, Sweden, Norway, Denmark, Estonia, Latvia and Lithuania (Company X Financial Report, 2013).

4.1.1 Company X: CRM & customer loyalty strategy

Every day, 100 Company X customers replace their car in the Nordic markets. Only 35 of them replace it with another Company X car (Company X internal CRM statistics, 2013). At a merely 35 % current loyalty rate, the objective for the company is to increase customer loyalty to 50 % by end of fiscal year 2015 (Company X internal CRM statistics, 2013).



Illustration 3: Company X loyalty target (Company X internal CRM statistics, 2013)

The company's strategy for achieving this target is based on attracting the right customers, getting them to buy, buy in higher quantities and bringing the company closer to the customer. The company builds loyalty by:

- keeping in touch with customers using email marketing, thank you cards and more
- training company and dealer teams well so they treat customers well
- showing that the company cares and remembering what customers like and don't like
- rewarding customers for choosing Company X over competitors
- truly thinking of customers and figuring out how to make them more successful, happy & joyful

The communication with the customer is enabled and improved by:

- regular direct marketing activities & campaigns
- development of email channels: newsletters, offers, invitations
- development of SMS channels: reminders, quick interaction

The goal of Company X's CRM strategy is to find, attract and win new clients, nurture and retain existing customers, win back former clients and reduce the costs of marketing and customer service (Company X internal CRM statistics, 2013).

4.1.2 Direct email marketing campaigns

At the moment of purchasing a car, each customer is automatically entered into the Company X's loyalty program. Besides entering the program, customers also automatically enter the

CRM database warehouse where their mail and email addresses represent their unique personal identifiers together with the car manufacturing code (Company X internal CRM practices, 2013).

This gives the company full accurate visibility of the amount of customers per regional segments such as countries. Regional segmentation is the main focus for communicating personalized promotions and new product launches to existing customers. This generic segmentation is applied to headquarter generated campaigns. Local campaigns (specific for a particular local market) go further into customer segmentation by gender when promoting car models for women in particular (Company X internal CRM practices, 2013).

As seen in Illustration 4 the CRM marketing tool includes various communication channels all directly dependent of the main data warehouse which is individually and legally owner by each local market in each of the seven countries.

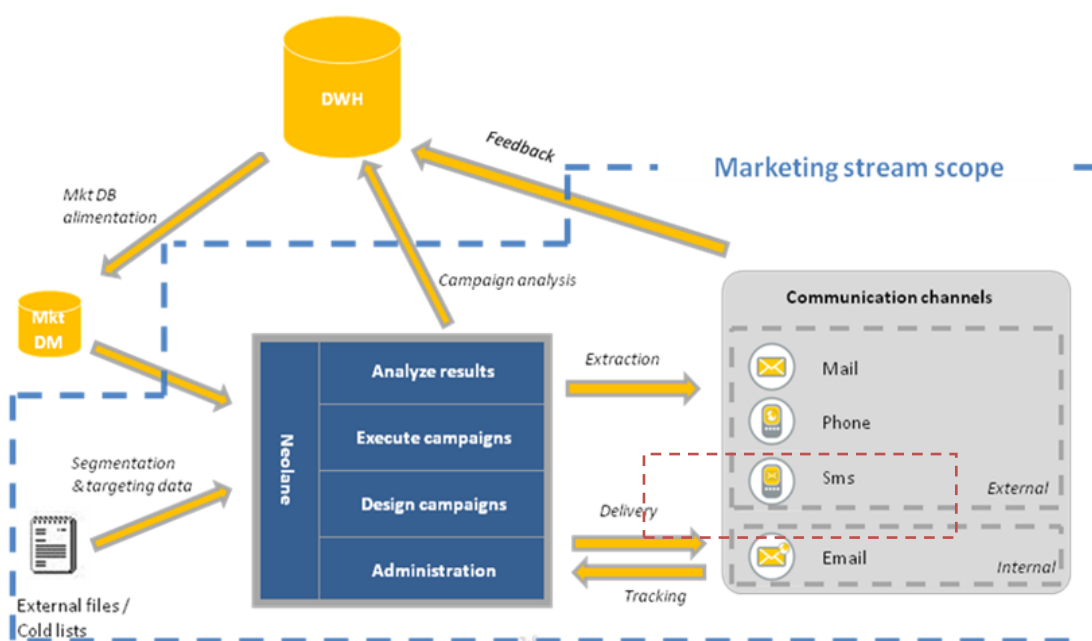


Illustration 4: Company X CRM marketing tool (Company X European internal CRM, 2013)

The CRM internal tool is designed and managed by external suppliers at European level. The supplier also coordinates the statistical measurements of CRM direct marketing results. Different campaign steps can be managed through the use of the tool: design campaigns, execute campaigns, analyze the results and report to the business (Company X European internal CRM, 2013).

Communications channels vary but Company X sets email marketing as the main communication channel in the Nordic markets, to keep in direct touch with the customers, due to its low

costs (Company X local internal CRM, 2013). The aim of email marketing, together with other CRM strategy approaches and communication methods, is to deliver the CRM marketing strategy result of 50 % customer loyalty retention by the end of fiscal year 2015. The content of marketing emails can be diverse from e-newsletters to new models presentation or promotional content (Company X local internal CRM, 2013).

The direct email campaign process is formulated and executed as presented in Illustration 5. Company needs are transformed into strategy in line with regional or global CRM strategy by the external supplier. Having a local partner intermediating the needs and communication between Company X and external supplier ensures the target is clearly set and the production and implementation run smoothly. Central CRM email marketing campaigns follow a standard implementation process on a time scale of one month from planning phase to broadcasting phase. The central European direct marketing strategy is cascaded into the regional units which localize and implement the campaign in local markets. Central campaigns can be rolled out concomitantly with local individualized campaigns built for specific markets inside the business unit (Company X internal CRM, 2013).

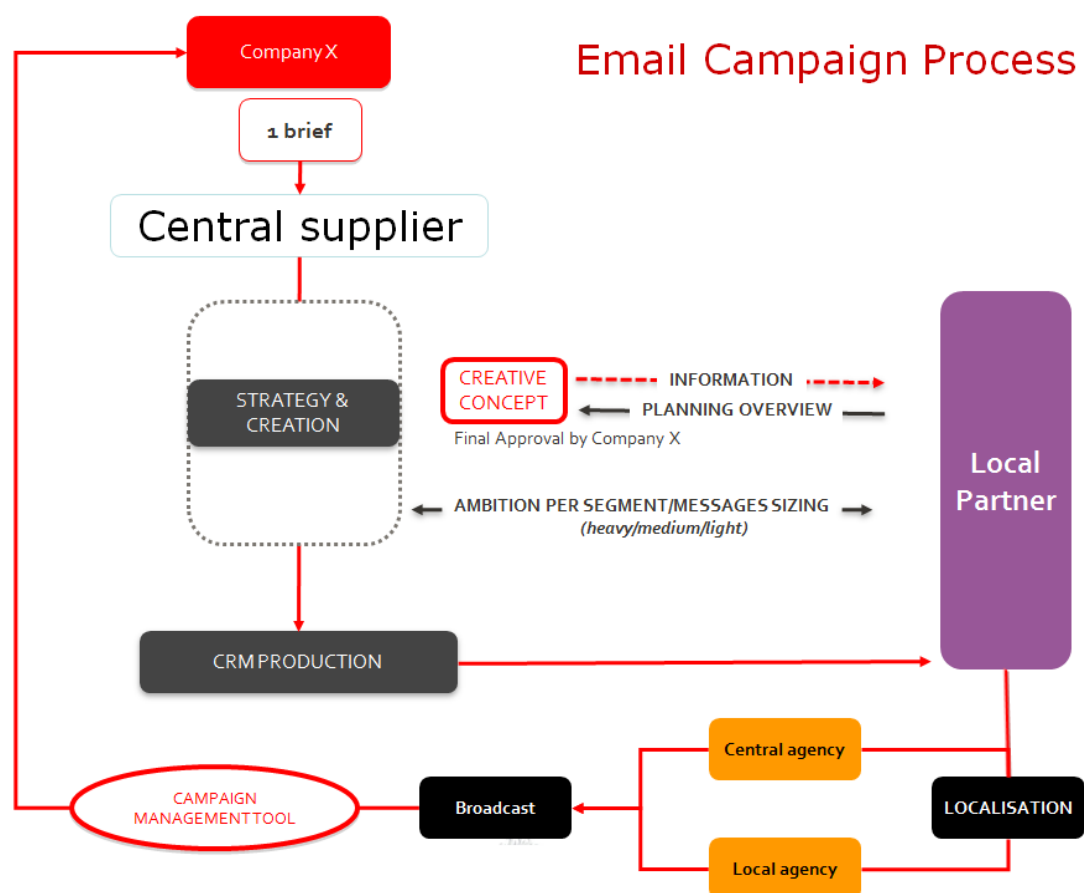


Illustration 5: Company X email marketing process (Company X internal CRM, 2013)

Quarter 3 and Quarter 4 email campaigns are planned and managed locally but follow a central generated concept (Company X internal CRM, 2013).

4.1.3 Promotional email marketing campaigns

Promotional email marketing is communicated to Company X customers quarterly. This research analyzes the implementation and the results of two quarterly email campaigns - quarter 3 and quarter 4 - in order to assess their effectiveness and establish their role in reaching Company X's CRM strategy target (Company X internal CRM, 2013).

The standard process of a Company X quarterly promotional email contains three main steps: story selection and preparation, testing and broadcasting. Story selection and preparation are personalized based on the segmented population. All seven markets follow a standard email design with same number of stories. Each local market, however, has its own local event and personalized promotions. All creative elements and text are integrated into PDF versions of the email which follows the validation route. Once PDF validation is complete, email is integrated into HTML format. Testing phase starts with an HTML email testing to a small group of 3 people. It goes on to a bigger group testing of 12 people. Once all links to further websites, text and visuals are approved the email broadcasted to customers (Company X internal CRM, 2013).

Quarter 3	Quarter 4
Local story/event	Local story/event
Product story	Product story
Offers/promotions	Offers/promotions
Loyalty Program story	Loyalty Program story
	Extra loyalty benefits story
Product story	Product story
AS Service maintenance	AS Service maintenance

Figure 7: Quarter 3 and Quarter 4 emails story content (Company X internal CRM, 2013)

In order to achieve higher customer engagement, Company X integrated an 'Extra loyalty benefits' story in the Quarter 4 email as shown in Figure 7. This story focused on particular exclusive benefits and rewards that customers receive by being part of the loyalty scheme. The purpose was to reward the customers in the Nordic markets (Denmark, Finland, Norway,

Sweden, Estonia, Latvia and Lithuania) and keep them active and engaged with the brand (Company X internal CRM, 2013).

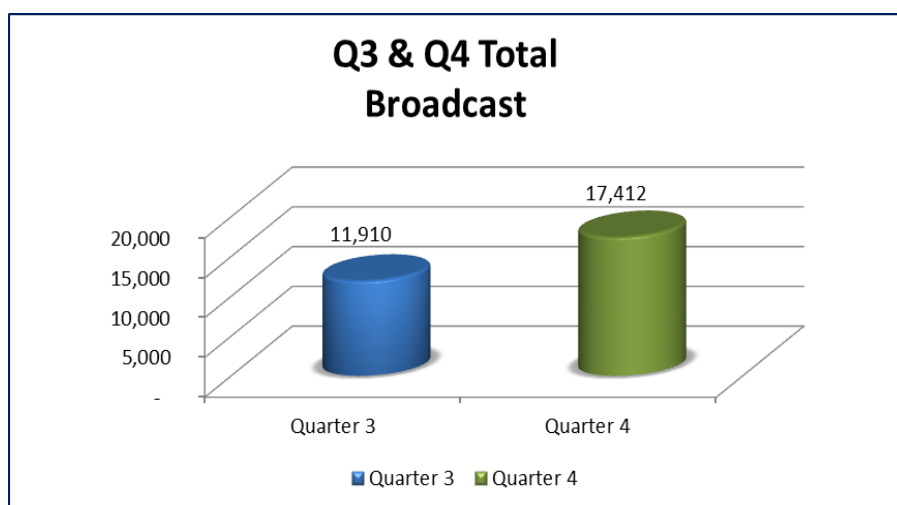


Figure 8: Q3 and Q4 total email broadcast (Company X internal CRM, 2013)

The Quarter 3 email campaign was distributed to over 11,000 incumbents while the Quarter 4 email campaign was distributed to over 17,000 incumbents as visible in Figure 8 and 9. The difference in number is due to the time gap of 3 months between the two batches during which more customers automatically joined the loyalty program when purchasing a car and were registered in the database warehouse. For Finland only, Quarter 3 communication was delivered to customer who joined the loyalty program in the past 3 years. Quarter 4 communication was sent to all population registered in the data warehouse.

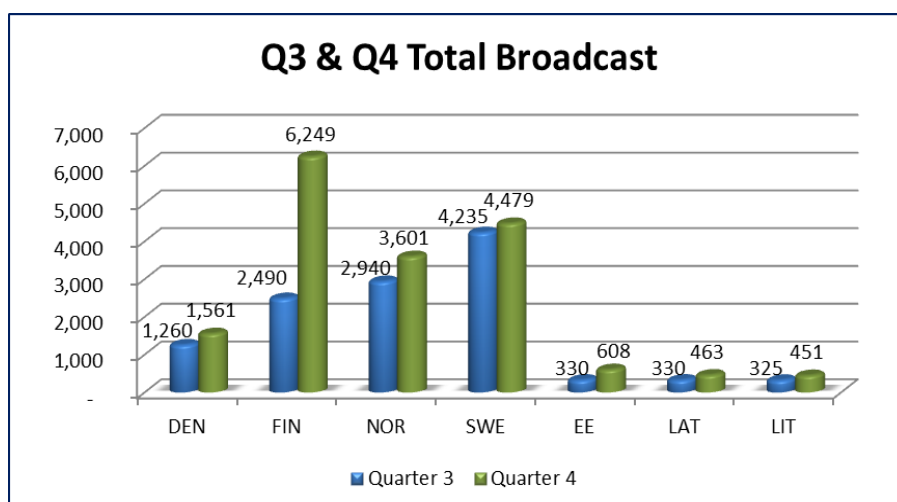


Figure 9: Q3 and Q4 broadcasted email quantity per segmented population (Company X internal CRM, 2013)

Overall, Quarter 4 population size represented an average 5.2 % increase compared to Quarter 3 email communication population size. High increases are visible in Finland and Norway as well as in Estonia.

4.2 Case study analysis

4.2.1 Campaigns results analysis - customer monitoring

How do Company X customers react to promotional email marketing?

The first level of reaction from customers to email marketing is measured by the email open rate %. Email open rate % represents the percentage of opened emails out of the total delivered emails. This rate % shows the interest the customer has in the marketing communication. Customers are more likely to open the promotional emails as long as they expect the communication from the brand (based on their subscription) and the title explicitly informs the nature of the email, in this case 'Quarterly offers from Company X and more'.

According to reports published by Campaign Monitor (2013), typical open rate and reading through rate percentages average between 20 % and 40 %. Similarly, an unsubscribe rate below 1 % is within industry norms. These ranges represent the measure reference to establish email marketing tool effectiveness. For email marketing to be considered effective, the results of the email campaigns need to be within industry norms. Company X has established a strong communication connection with their customers. Out of the total delivered emails, the average email open rate is 51 % in Quarter 3 and 59 % in Quarter 4. This represents a 15% higher open rate in Quarter 4 than in previous one and a 28 % above average higher open rate %. Figure 10 shows the increase in email open rate in Quarter 4 as compared to Quarter 3 as per segmented population.

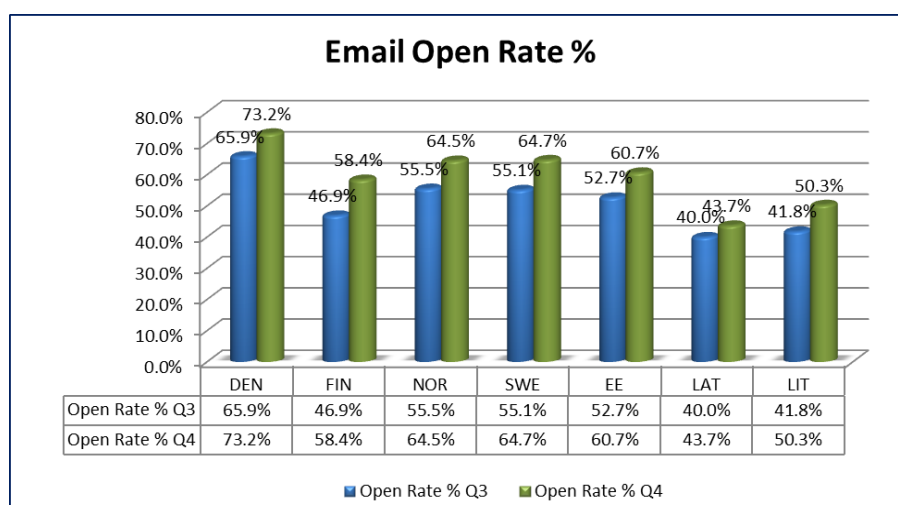


Figure 10: Email open rate % Q3 and Q4 (Company X internal CRM, 2013)

The second level of reaction is the reading through rate. Promotional stories are the core focus of email communication of special offers for Company X customers. They communicate exclusive prices for a limited period of time (one month) and call for customers' action.

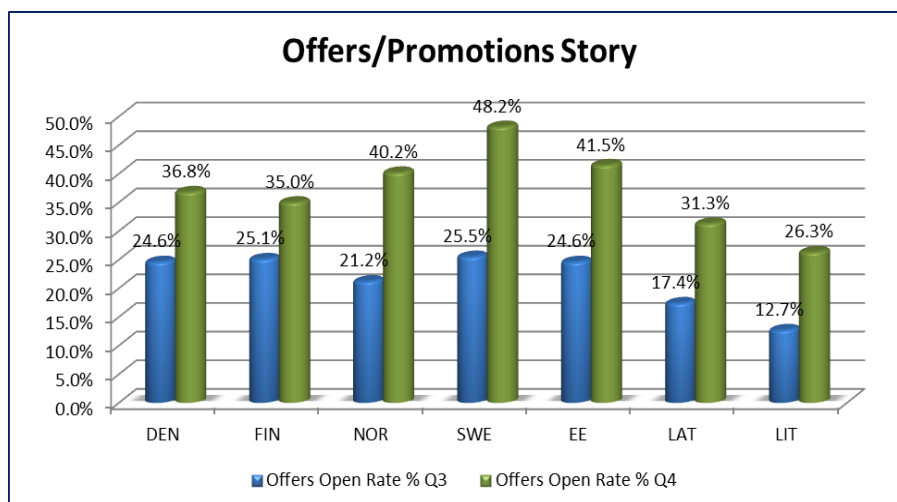


Figure 11: Offers story open rate % Q3 and Q4 (Company X internal CRM, 2013)

The highest offers story open rate is registered in Sweden, Norway, and Estonia in Quarter 4 communication. Based on Figure 11 data, the click through rate for promotional content specifically is an average of 21.6 % in Quarter 3 and 37 % in quarter 4. This represents a 70 % higher reading through rate % in Q4. In terms of general industry norms, Q3 reading rate is close to the lower average of 20 % while Q4 reading rate is close to upper average of 40 %. The second level of reaction determines further engagement of customers with the brand, raises their interest in the current offers and asks them to take action by requesting a product brochure, enrolling for a test drive and ultimately acquiring a new Company X car.

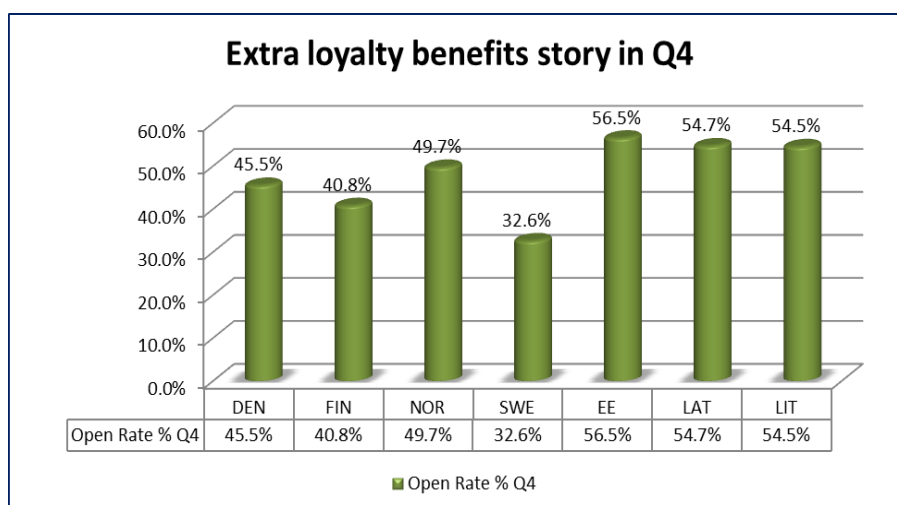


Figure 12: Click through rate for extra benefits story Q4 (Company X internal CRM, 2013)

The addition of an extra benefits story for current customers in the Quarter 4 campaign intends to enforce this approach and expects higher reading through rates which, in the long run, will increase customer awareness and interest as well as willingness to seize the promotional opportunity and remain loyal to the brand. Figure 12 shows an average reading through rate of 47.8 % for this additional story - well above industry average.

A high number of email views triggers an increasing page visits rate when customers act upon receiving the communication and become leads to company website pages where they can calculate the price of a particular model, book test drives and ultimately buy a new car.

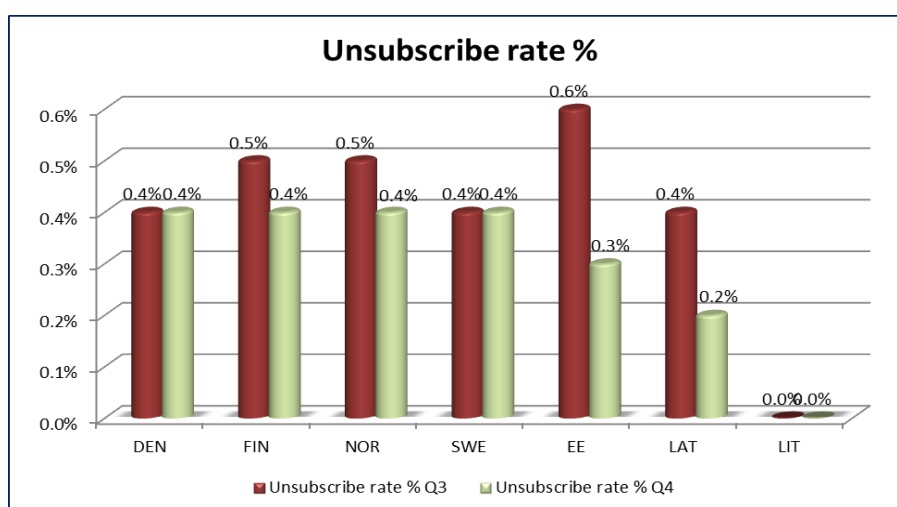


Figure 13: Un-subscription rate % Q3 and Q4 (Company X internal CRM, 2013)

A low unsubscribe rate is noteworthy in the case of Company X as a general behavior. Company X faces low un-subscription (Figure 13) among customers which greatly reinforces email marketing as the main communication tool. With high open rates and low un-subscription rates, customers send a clear message to the business. Customers are interested in the news communicated; they engage with the product and show the potential to take action towards buying a new same brand product.

There are a number of other critical reporting factors which reflect the impact of email marketing over customers such as: email bounces (soft bounce vs. hard bounce), visit bounce, average time spent on website, new visits or unique visitors (Mullen & Daniels 2008, 61).

Email bounce means an email could not be delivered to a particular address. This can be a soft bounce or a hard bounce. Soft bounce means delivery has failed temporarily as, for example, the inbox of receiver is full but delivery is on stand by and will be made eventually.

Hard bounce means delivery has failed permanently the reasons being fake email addresses, server settings to not accept offers emails or deactivated email address.

Visit bounce rate refers to the traffic to a particular website and represents the percentage of visitors who leave the website after opening just one webpage rather than continuing to view other pages. Visit bounce rate is different from exit rate where visitors intentionally click away to another webpage (Webopedia, 2014).

Average time spent on website measures in seconds or minutes the amount of time visitors spend on the website. Results are often misleading since visitors can leave webpages open while being inactive or looking at a different tab in their browser.

New visits are measured on a particular time span in comparison to existing unique visitors. Unique visitors are the frequent visitors who return to the website many times in a specific amount of time. They are measured only once based on their Internet Protocol (IP) address despite the frequency of accessing a webpage (Webopedia, 2014).

The additional analytics factors represent detailed email marketing measurement approaches to identify and estimate customer behavior for precise customer segmentation.

4.2.2 Email campaigns SWOT analysis

What are the implications of email marketing for Company X?

The main strength of direct email marketing in Company X is its frugality; it is a low cost marketing tool which brings high results and reaction from customers. This approach fits perfectly with the business frugality concept of achieving maxim results with minimum resources. On a year base, direct email marketing campaigns use 10% of total CRM marketing budget (Company X internal CRM).

Other strengths of direct emailing in Company X are reflected by high open rate and direct immediate response from customers towards the communication. Customers instantly react to the communication either in a positive way by asking a brochure or book a test drive or negative way by unsubscribing to the communication. The results analyzed in this research reflect the positive reaction of Company X customers to direct email marketing. The weakness of direct emailing in Company X is hard promotion of the same concept or same product. Including stories related to same product or superficial stories can decrease customers' interest and explain the un-opened email rate of average 49 % in Quarter 3 and 41 % respectively in Quarter 4.

A short term opportunity is to include other relevant interesting story topics which are unique and differentiate the company from competitors. A long term opportunity is to keep bringing customers into the loyalty program and build stronger the customer database. The threat of direct email marketing for Company X is unforeseen decrease in email open rate. This represents a constant risk and uncertainty which can be anticipated but not controlled. Other threats for email marketing are the rise of social media and instant messaging marketing.

Company X can reap the benefits of direct email marketing by providing rich interesting content and attractive exclusive offers to the customers and by taking all future opportunities to activate and retain loyal customers.

4.2.3 Customer loyalty activation in Company X

Is direct email marketing an effective tool in activating customer loyalty?

Email marketing effectiveness assessment is based on the interpretation of the analysis' results conducted in this research.

Direct email marketing is effective in activating future customer loyalty due to high email reading rates and continuous engagement of customers with the brand. There are additional factors which underline the effectiveness of direct email marketing. Email marketing is permission based communication which represents a ground for effectiveness as customers are willing to receive and react to the email; they expect exclusive offers as a benefit of being part of the loyalty group.

Email communication is the most popular activity on both phone and personal computer. Customers are constantly digitally connected which provides higher chances of them reading the communication. Company X sends powerful impactful email communication with catchy title revealing exclusive promotions, rich content and visuals which appeal to customers. Finally, the effectiveness of email marketing in the case study can be traced back to the core customer concept that emails should contain promotions.

5 Thesis conclusion

Direct email marketing is an effective marketing tool with a high potential of triggering customer activation. The tool can be further considered and implemented in the overall CRM strategy by Company X in order to achieve their CRM strategy aim of customer loyalty retention target of 50 % by 2015.

The research is both valid and reliable as it combines different methods to analyze current marketing campaigns practices and results and make essential analysis and recommendations for Company X. The reliability of the study consists in the many trustworthy data sources used to define the theoretical framework of the argument. This consists of books, online published material and academic publications.

Theoretical background and methodology used represented an essential support to the author to conduct and conclude this research. The research presents the theories of the diverse implications of customer relationship management in business processes and concludes how businesses should choose to make CRM a base pillar for their business success.

The research is valid as it meets its purpose and clearly answers the research questions by analyzing customer behavior and email marketing campaigns results in the empirical study. The positive results of the two emailing campaigns prove the effectiveness of the CRM marketing approach for Company X and the importance of direct email as marketing communication tool.

The author could be considered subjective due to their direct involvement in the analysis process, presentation of personal approach towards the results of the study and own interpretation of published materials. The analysis and conclusion of the study conducted confirm the credibility of the research through its validity and reliability.

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Appendices

Appendix 1

Confidential Company X documents are not disclosed in the public version of the thesis.